

Message Text

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64

ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 EUR-08 L-01 NSC-05 NSCE-00 INR-05

CIAE-00 EB-03 SP-02 DODE-00 PM-03 SAM-01 SAJ-01 PRS-01

/051 W

----- 092800

R 281803Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0409

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

C O N F I D E N T I A L BONN 08590

LIMDIS

E.G. 11652: GDS

TAGS: PFOR, EAID, EG, GW

SUBJECT: GERMAN CONCERN OVER EGYPTIAN ECONOMIC
SITUATION

REF: STATE 113162

1. IN CONVERSATION WITH EMBOFF MAY 28, DR. HEINICHEN, THE ACTING DIRECTOR OF OFFICE FOR BASIC FOREIGN ECONOMIC POLICY QUESTIONS IN FONOFF, CONFIRMED THAT FRG HAD INSTRUCTED ITS EMBASSIES IN JIDDA AND TEHRAN TO DISCUSS EGYPTIAN SITUATION WITH SAUDI AND IRANIAN OFFICIALS. HEINICHEN SAID THAT HE IS STILL AT A LOSS TO KNOW WHAT TO DO. HE IS SKEPTICAL ABOUT THE LIKELIHOOD THAT ARAB COUNTRIES WILL PROVIDE ASSISTANCE OF THE MAGNITUDE NEEDED TO BAIL EGYPT OUT, AND HE REALIZES THAT WESTERN DONORS ARE NOT IN A POSITION TO OFFER SUBSTANTIAL ADDITIONAL AID ON SHORT NOTICE. YET HE IS CONVINCED THAT ACTION MUST BE TAKEN QUICKLY.

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2. THE FRG EMBASSY IN CAIRO HAS JUST REPORTED THAT FOR FIRST TIME LETTERS OF CREDIT ARE NOT BEING PAID BY EGYPTIANS. FRG EMBASSY ALSO REPORTED THAT NEW ADDITIONAL AID COMMITMENTS HAD BEEN MADE BY IRAN FOR \$120 MILLION AND BY KUWAIT FOR \$100 MILLION. KUWAIT HAS ALREADY MADE A \$50 MILLION PAYMENT FROM THIS COMMITMENT, WHICH IS INTENDED TO MEET EGYPT'S MOST URGENT LIABILITIES. HOWEVER, NEITHER THE EXTENT OF SUCH URGENT LIABILITIES NOR THE AMOUNT OF FOREIGN EXCHANGE EARNINGS AND BALANCE OF PAYMENTS SUPPORT ACTUALLY AVAILABLE TO EGYPT IS KNOWN. THUS NOT EVEN THE MAGNITUDE OF EGYPT'S IMMEDIATE PAYMENTS PROBLEM IS CLEAR.

3. WE GAVE HEINICHEN A COPY OF CAIRO'S TABLE DESCRIBING ASSISTANCE TO EGYPT (ENCL. II TO CAIRO A-23), FOR WHICH HE WAS MOST APPRECIATIVE.

4. COMMENT: WHILE GERMANS ARE OBVIOUSLY CONCERNED ABOUT EGYPT'S BALANCE OF PAYMENTS SITUATION AND SEEM READY TO ASSIST IN A COMMON ENDEAVOR TO HELP EGYPT, THEY HAVE GIVEN US NO INDICATION THAT THEY WANT TO BE IN THE FOREFRONT OF SUCH AN EFFORT. THEY APPEAR QUITE WILLING TO LET OTHERS TAKE THE LEAD.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, ECONOMIC ASSISTANCE, ECONOMIC CONDITIONS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN08590
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750187-0059
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750511/aaaaajbo.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 113162
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUN 2003 by BoyleJA>; APPROVED <08 OCT 2003 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN CONCERN OVER EGYPTIAN ECONOMIC SITUATION
TAGS: PFOR, EAID, EG, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006